

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-08
EA-10 FRB-03 INR-10 IO-13 NEA-11 NSAE-00 ICA-11
OPIC-03 SP-02 TRSE-00 LAB-04 SIL-01 AGRE-00
OMB-01 SS-15 PM-05 NSC-05 DOTE-00 /121 W
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R 251750Z MAY 78
FM AMEMBASSY ROME
TO SECSTATE WASHDC 3073
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY LOSBON
AMEMBASSY LONDON
AMEMBASSY MADRID
AMEMBASSY PARIS
AMCONSUL GENOA
AMCONSUL MILAN
AMCONSUL NAPLES
AMCONSUL TURIN POUCH
AMCONSUL TRIESTE POUCH
AMCONSUL PALERMO
AMCONSUL FLORENCE
USCINCEUR VAIHINGEN GERMANY
USCOCOSOUTH

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USOECD ALSO FOR EMBASSY

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E.O. 11652: NA
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TAGS: ELAB, PINT, IT
SUBJ: ORGANIZED LABOR AND THE REDUCTION OF LABOR COSTS

REF: ROME 9227 (NOTAL) AND PREVIOUS

1. SUMMARY. CONSIDERABLE PROGRESS HAS BEEN MADE IN THE EVOLUTION
OF TRADE UNION POLICY TOWARD THE PROBELM OF LABOR COST REDUCTIONS.

THIS PROGRESS WAS ARRESTED RECENTLY BY THE REFUSAL OF THE CHRISTIAN DEMOCRATIC-ORIENTED LABOR CONFEDERATION CISL TO AGREE TO QUANTIFY THE CONCESSIONS WHICH LABOR HAD OFFERED PREVIOUSLY. THE MAY 16-17 CONFERENCE OF THE FEDERATION CGIL-CISL-UIL (CCU) ON THIS ISSUE REACHED AN IMPASSE. CISL INTRANSIGENCE WAS OSTENSIBLY BASED ON ITS JUDGEMENT THAT THE CONFEDERATIONS COULD NOT MAKE STICK WITH THE INDIVIDUAL UNIONS, AND THE LOCAL BARGAINING UNITS DECISIONS WHICH CONCEDE PRIVILEGES TO WHICH WORKERS HAVE LONG BEEN ACCUSTOMED. IN FACT, CISL WAS EXASPERATED WITH BEING CONSTANTLY RELEGATED TO A SUBORDINATE POSITION BY THE COMMUNIST-DOMINATED CGIL WHICH TENDS TO VIEW THE CCU AS ITS PRIVATE PRESERVE. STILL, THE TREND IS TOWARD A MORE COOPERATIVE LABOR ATTITUDE TOWARD LABOR COST REDUCTION. IT IS LIKELY, THEREFORE, THAT THE CCU GENERAL COUNCIL MEETING ON JUNE 21-22 WILL PRODUCE SOME CONCRETE RESULTS. END SUMMARY.

2. THE OVERALL ATTITUDES OF ITALY'S MAJOR LABOR CONFEDERATIONS TOWARD THE KEY PROBLEM OF CONTAINING LOCAL COSTS HAS EVOLVED FAVORABLY DURING THE PAST SIX MONTHS. WITH THE CGIL IN THE VAN, LABOR'S HIGHEST COUNCILS -- THE VARIOUS BODIES OF THE TRI-CONFEDERATIONAL CCU -- HAVE RATIFIED A SERIES OF DECLARATIONS OF INTENT TO COOPERATE IN CONFRONTING THIS SENSITIVE PROBLEM.

3. THE IMPORTANT COMPONENTS OF THE LABOR COST PACKAGE ON WHICH THE LIMITED OFFICIAL USE

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CCU HAS TAKEN A FORTHCOMING POSITION INCLUDE SEVERAL WHICH HAVE HERETOFORE BEEN REGARDED AS UNTOUCHABLE BY LABOR: LIMITATIONS ON WAGE/SALARY DEMANDS; THE PHASED IMPLEMENTATION OF WAGE INCREASES NEGOTIATED; A WILLINGNESS TO FACILITATE, AT LEAST TO SOME EXTENT, THE PROBLEM OF REDUCING THE WORK FORCES OF BELEAGUERED ENTERPRISES; THE RE-GROUPING AND EVEN THE REDUCTION OF PAID HOLIDAYS; SOME FLEXIBILITY ON ALLOWING OVERTIME WORK EVEN WHERE CONTRACTS FORBID IT; A WILLINGNESS TO AGREE TO PARTTIME WORK, AT LEAST FOR THE VERY YOUNG AND THE VERY OLD -- AND ALSO, PERHAPS, FOR MARRIED WOMEN IN CERTAIN CATEGORIES; ADMONITIONS TO UNION MEMBERS AND THE LABOR FORCE IN GENERAL TO REDUCE THE LEVEL OF ABSENTEEISM; REDUCTIONS IN SENIORITY BONUSES, AND EVEN PHASED REDUCTIONS IN THE LAVISH AND EXPENSIVE TERMINATION PAY (LIQUIDAZIONE) SYSTEM.

4. THE ONE AREA IN WHICH THERE HAS BEEN THE LEAST GIVE IS ALSO THE ONE VIEWED, BY THE IMF AND OTHERS, AS THE MOST CRITICAL ONE, NAMELY, ALTERATIONS IN THE WAGE ESCALATION SYSTEM. YET EVEN HERE, ONE SENSES THE POSSIBILITY OF TWO KINDS OF CONCESSIONS: A RESTRUCTURING OF THE PRICE INDEX "BASKET" TO REFLECT MORE ACCURATELY CURRENT CONSUMPTION PATTERNS, AND THE STRETCHING OF THE TRIGGERING MECHANISM FROM A QUARTERLY SYSTEM THREE

TIMES A YEAR.

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5. THE PRECISE PARAMETERS OF LABOR'S CONCESSIONS IN THE LABOR COST
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REDUCTION FIELD HAVE YET TO BE AGREED. IN PART, THIS IS BECAUSE LABOR HAS MADE ITS CONCESSIONS AT LEAST PARTIALLY CONDITIONAL UPON RECEIPROCAL CONCESSIONS BY THE GOVERNMENT ON MATTERS OF MAJOR LABOR CONCERN; INVESTMENTS IN THE SOUTH; A FAIR RENT LAW WHICH TOGETHER WITH THE DEMAND FOR SCHOOL CONSTRUCTION, IS CLOSELY LINKED TO LABOR'S DESIRE FOR A RESUSCITATION OF THE MORIBUND CONSTRUCTION SECTOR; REFORM AND IMPROVEMENT IN MEDICAL CARE DELIVERY SYSTEMS; IMPROVEMENTS IN URBAN TRANSPORTATION. A MORE IMPORTANT OBSTACLE, HOWEVER, IS PHILOSOPHICAL IN NATURE: CISL HAS BLOCKED THE QUANTIFICATION OF LABOR'S CONCESSIONS ON THE GROUNDS THAT THESE DECISIONS OUGHT NOT TO BE DICTATED FROM THE TOP, BUT RATHER SHOULD DRAW MUCH MORE EXTENSIVELY ON RANK-AND-FILE INPUT, AND ON THE COOPERATIVE ASSISTANCE OF THE CONSTITUENT AND LOCAL UNIONS. THUS, TO DATE, WE ARE LEFT WITH ONLY HINTS AS TO LABOR'S COLLECTIVE THINKING ON THIS SUBJECT, E.G., THAT WAGE/SALARY DEMANDS BE HELD TO EITHER THE LEVEL OF PRODUCTIVITY INCREASES OR TO COST OF LIVING INCREASES (I.E., NO REAL WAGE INCREASES), AND THAT WAGE INCREASES NOT TAKE EFFECT IMMEDIATELY BUT RATHER BE PHASED OVER THE THREE-YEAR PERIOD OF THE USUAL LABOR CONTRACT.

6. CISL HAS AN ADDITIONAL STRONG MOTIVATION FOR PUTTING DOWN ITS FOOT ON THIS SUBJECT. THE CISL LEADERSHIP -- AND BOTH THE "MAJORITY" AND THE "MINORITY" ARE UNTIED ON THIS -- ARE SICK AND TIRED OF SEEMING TO BE AN APPENDAGE OF THE CGIL. THIS RESENTMENT WAS INITIALLY FUELED BY CGIL CHIEF LAMA'S PREEMPTIVE NEWSPAPER INTERVIEW IN LA REPUBBLICA LAST JANUARY. ON THAT OCCASION, IN ANTICIPATION OF THE CCU CONFERENCE WHICH ULTIMATELY ENDORSED MOST OF HIS PROPOSALS IN FEBRUARY, HE ARTICULATED A SERIES OF STARTLINGLY GENEROUS INTERPRETATIONS TO THE GENERAL AUSTERITY GUIDELINES TO WHICH THE THREE CONFEDERATIONS HAD TENTATIVELY AGREED IN LATE 1977. THE FEBRUARY ENDORSEMENT -- THE SO-CALLED "EUR DOCUMENT" -- WAS LIMITED OFFICIAL USE

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WIDELY SEEN AS A CCU RUBBER STAMP OF THE LAMA LINE, AND CISL BEGAN TO SEETHE. CISL WAS ALREADY UPSET WITH THE WAY IN WHICH THE CGIL, IN PERFECT HARMONY WITH PCI POLICY, FIRST TURNED ON THE LAST PREVIOUS ANDREOTTI GOVERNMENT (SEEKING TO DRAW CISL AND UIL INTO ANALAGOUS POSITIONS UNDER THE CCU BANNER), AND THEN JUST AS SMOOTHLY REVERSED ITS FIELD ONCE PCI OBJECTIVES HAD BEEN ACHIEVED IN THE NEGOTIATIONS WHICH LED TO THE FORMATION OF THE CURRENT ANDREOTTI GOVERNMENT, I.E., THE FULL ACCEPTANCE OF THE PCI AS PART OF THE GOVERNING MAJORITY.

7. IN THIS INTERNECINE QUARREL BETWEEN ITS SENIOR PARTNERS, THE UIL, AND ITS VOLUBLE LEADER GIORGIO BENVENUTO, HAVE TAKEN AN

UNCHARACTERISTICALLY QUIET POSTURE. WHILE IN GENERAL THE UIL FAVORS THE CGIL APPROACH, I.E., IT IS UP TO LEADERS TO LEAD AND FOR FOLLOWERS TO FOLLOW, THE UIL DOES NOT WISH TO BE DOMINATED BY THE CGIL ANY MORE THAN DOES THE CISL. THOUGH THE UIL HOLDS THE BALANCE OF POWER IN THE CCU FORMAT, THEY HAVE REFRAINED FROM USING IT IN THE CURRENT DEBATE.

8. NEVERTHELESS, THE PROSPECTS ON BALANCE ARE GOOD THAT, WHEN THE CCU GENERAL COUNCIL MEETS IN ROME ON JUNE 21-22 TO DISCUSS AGAIN THE SUBJECT OF LABOR COST REDUCTIONS, SOME PRECISE PROGRESS WILL BE ACHIEVED. DESPITE CISL'S ANNOYANCE WITH THE CGIL'S PRESUMPTUOUS BEHAVIOR, THE TREND AMONG ITALY'S UNIONS IS DEFINITELY IN THE DIRECTION OF A MORE RESPONSIBLE ATTITUDE TOWARD COOPERATING IN RESOLVING THE COUNTRY'S ECONOMIC ILLS. GARDNER

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